

**EVOLUTION OF FORENSIC ACCOUNTING AND DEVELOPMENT TRAJECTORY  
IN NIGERIA: A REVIEW**

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**Abstract**

Forensic accounting evolved as an accountancy service derivative due to the existence of a vacuum and weakness in the external audit process, financial reporting and the growing menace of fraud and the consequent need for fraud detection not only in Nigeria but globally. Forensic accounting involves the application of investigative and analytical skills for the purpose of resolving financial issues in a manner that satisfies the standards required by the court of law. Academic research in forensic accounting in Nigeria is still at an explorative stage though rapidly developing.

Globally, the development and adoption of forensic accounting into the accounting curriculum in the universities are taking place in the developed economies and empirical studies tend to focus on developed economies. The review of previous studies on the evolution of forensic accounting practice, reveals that forensic accounting and audit in Nigeria started about the turn of the last two decades. This is in spite of high cost of corruption and fraud in Nigeria. However, in response to the deficiency in the growth of forensic accounting in Nigeria, the Institute of Chartered Accountants of Nigeria (ICAN) and others established forensic accounting faculties. Similarly, the National Universities Commission (NUC) continue to conduct curriculum review in Nigeria universities and the forensic accounting has positively benefitted from this. The paper recommends among others, a continuous review of accounting education syllabus, investment in IT infrastructure in universities and polytechnics to boost teaching and learning as forensic accounting is IT driven and finally, expansion of period and scope of internship for accounting graduates to deepen practical knowledge of forensic education.

Keywords: Forensic accounting, Fraud, Audit, Forensic Training

**Introduction**

Accounting evolved to enable owners of enterprises have access to information on the performance of their enterprises as investors and providers of funds and to be able to take decisions on such investments. Accounts are prepared to either meet the information needs of shareholders (as owners) or management (as trustees). Developments in the corporate world since the turn of the 21<sup>st</sup> Century have made conventional financial reporting and auditing of financial reports to be inadequate. This is because giant industrial enterprises and audit firms are reported to have collapsed as a result of failure of professional audit practice to deliver high quality audit report and the growing trend of white-collar theft.

A new thinking and action to counter the identified weakness has been the emergence of forensic accounting. This new development in the field of accounting has been influenced by events around the world. Thus, globalization has made the emergence of forensic accounting to spread to Africa and resultantly to Nigeria. Lutfi (2014) observed that the weakness of the audit profession and the failure to perform its role of auditing as an independent body in developing countries stems from several reasons, including the lack of a strong financial and accounting system on the one hand, and the lack of awareness of the rank importance of external audit, on the other hand. Consequently, the business environment has to find an alternative to the traditional auditing in order to help solve financial problems and disputes in the courts. It could be argued that forensic accounting came due to the existence of a vacuum and weakness in the external audit processes and reporting.

Idris, Agbi, Mustapha & Balogun (2020) opined that academic research in forensic accounting education in Nigeria is still at an explorative stage even though it is rapidly developing. However, the problem of fraud and fraud detection remain a major challenge in Nigeria posing an existential threat to the practice of financial reporting and auditing. Bartulovic (2021) argued that in the modern business environment, we are exposed to information on different types of fraud and criminal offences in the field of economic crime on an almost daily basis. Corruption, embezzlement, computer crime, fraudulent financial reporting, money laundering and other types of economic crime are daily threats to corporations that need to be aware of the fraud risk and respond adequately to it. Forensic accounting is defined by Hopwood et al, (2012) as involving the application of investigative and analytical skills for the purpose of resolving financial issues in a manner that satisfies the standards required by the court of law.

The problem of this study is the white collar crime bordering on financial fraud that is on the increase not only in Nigeria but globally. For example, Idris et al, (2020) argued that forensic accounting in Nigeria has come to the limelight in the recent past due to high rate of white-collar crimes like embezzlement, fraudulent financial activities and corporate failure. In spite of this problem, education in the area of forensic accounting has remained poor but this is not the case in developed countries as revealed by prior studies. Rezaee, 2004, Rezaee & Burton, 1997; Rezaee, Lo &, Ha 2014, submitted that the growing evidence of the importance of forensic accounting

education in scholarly articles has been witnessed in developed countries. This study is aimed at discovering the trajectory of developments in the field of forensic accounting in Nigeria.

### **Conceptual Framework**

#### **Forensic Accounting**

‘Forensic’ means ‘suitable for use in a court of law’ and it is to that standard and potential outcome that forensic accountants generally have to work. Crumbley et al., (2005). Oyedokun (2018) further asserts that forensic accounting is an umbrella term which consists of accounting, auditing and investigative skills. It is a type of accounting suitable for legal review and blended with services like providing the highest level of assurance gathered through legal documentation of latest scientific fashion, core knowledge of GAAPs, Standards and Codes etc. Forensic accounting involves the application of specialized knowledge and investigative skills possessed by a professional accountant to collect, analyze, and evaluate evidential matter and to interpret and communicate findings in the courtroom, boardroom or other legal or administrative venue. Narayanan (2020). Forensic accounting is used to examine individual or company’s financial situation.

Experts in the field of forensic accounting (forensic accountants) are specially trained accountants that search for criminal activities supporting documentations and frequently work for insurance firms, banks and law enforcement organizations Desi, Akintoye & Agugom,(2023). According to Ayemang et al., (2022); Abuh & Acho, (2015) forensic accountants could work on instances involving embezzlement and fraud and describe the characteristics of a financial crime in court. Forensic accountants can be hired by companies too to examine claims of accounting fraud, approve an appraisal of sale or merger and/or develop tax-saving schemes.

Belak, (2011), admits that forensic accounting is “the application of investigative and analytical skills to detect fraud and manipulation in financial statements that deviate from professional rules, accounting standards, tax laws and other legal provisions. Forensic Accountancy or Financial forensics is the specialty practice area of accountancy that describes engagements that result from actual or anticipated disputes or litigation (Yadav & Yadav, 2013). Telpner and Monstek (2003), describe a forensic accountant as “one who has mastered the science of accounting and is able to assist lawyers to understand and apply accounting issues to the law and to disputed matters.”

The Litigation support of a forensic accountant according to Enofe, Ekpulu & Ajala (2015) involves the presentation and interpretation of various financial issues related to existing or

pending litigation. In this area of expertise, they further contend that ‘the forensic accountant may be asked to assign an estimated value for damages sustained by parties involved in legal disputes and to assist in disputes resolution, even before trial in the courtroom’.

### **Roles of Forensic Accounting**

Institutions and organizations that employ the services of forensic accountants might be interested in getting value for money as forensic accountants charge for their services. Forensic accounting in modern business conditions according to Bartulovic (2021) has a principal role in fraud prevention and detection, and forensic accountants often stand out as the main “fraud fighters“. The American Institute of Certified Public Accountants (AICPA) submitted that forensic accountants engage in bankruptcies, valuation of assets, assessment of current and potential business partners' financial position etc. Similar tasks of a forensic accountant are emphasized by Italia (2012, p. 366) in her research to include determining damages in adverse events, detecting fraud, detecting money laundering and corruption, valuing certain types of assets or a company as a whole, locating hidden assets in the division of assets, as well as expertise and services in litigation.

AICPA (2009, p. 8) highlighted the services that forensic accountants can provide to include: detection of irregularities in financial statements, determination of economic damages, prevention, detection and response to fraud, valuation, prediction of bankruptcy and insolvency, services in the field of business restructuring, family law services and services in the field of computer forensics. The Institute identified the three most important services provided by a forensic accountant as detection of irregularities in financial statements, prevention and detection of fraud and determination of economic damages.

### **Forensic Accounting Education in Nigeria**

In Nigeria, there is little evidence on forensic accounting education Ibrahim, Rose & Mohamed (2016) cited by Idris et al. (2020). The authors argued that despite the growth in demand for fraud detection and forensic accounting globally, the development and adoption of forensic accounting into the accounting curriculum in the universities are taking place in the developed economies. Consequently, most empirical studies tend to focus on developed economies with little representation of the situation in the developing economies. This holds true in spite of huge presence and cost of corrupt practices and fraud in Nigeria.

Ibrahim et al, (2016) reported that Nigeria as a developing economy is not an exception from the global threat of financial crime. Cases of financial crimes have been reported daily in the nation's press. The common type of fraud in Nigeria has been the institutionalized public sector corruption and corporate failure due to mismanagement of shareholders fund by the management of private companies. Furthermore, Human Right Watch, (2020) reported that Economic and Financial Crimes Commission (EFCC) secured 865 convictions from 1,305 cases investigated of financial crimes. This represent 66% conviction rate, which is low. Previous findings have linked the low performance to organizational factors. The picture revealed about forensic practice underscores the need for growing our accounting and forensic education. Ahmed, Ibrahim & Ahmed (2018) argued that there appears to be a gap between forensic accounting practice and education because there are only a limited number of accounting programs offering and forensic accounting courses globally. Studies show that the growth in demand for forensic accounting skills were attributed to the need for fraud detection and prevention as a requirement by regulatory bodies, investors and professional pronouncements. (Carnes & Gierlasinski, 2001).

Despite the increasing demand for forensic accounting, there is an apparent evidence that educational institutions in Nigeria are lagging in producing the required number of forensic accountants (Effiong, 2012; Effiong, Iyang & Effiong, 2016; Rezaee et al., 2016). The authors agree that this so because forensic accounting education and practice research is rare in many countries including Nigeria. However, in response to the deficiency in the growth of forensic accounting in Nigeria, The Institute of Chartered Accountants of Nigeria (ICAN), created its (Forensic accounting Faculty). Also, the Association of National Accountant of Nigeria (ANAN) established an independent arm of (Society for Forensic Accounting and Fraud Prevention). The forensic accounting arm is established by the professional accounting bodies in order to train specialists to acquire skills and knowledge of forensic accounting and to ensure quality practice on discovering of frauds, discrepancies in financial statements, trace funds and find hidden assets. (Idris et al, 2020).

### **Challenges Confronting Forensic Accounting Education in Nigeria**

The problem of fighting fraud through forensic accounting in Nigeria is compounded due to institutional constraint. For instance, Idris et al., (2020) revealed that the main important law enforcement agency involved directly in combating financial and economic crimes is the Police

Special Fraud Unit, Economic and Financial Crime Commission (EFCC) and Independent Corrupt Practice Commission (ICPC). The law enforcement agencies make lesser effort to train their investigators in the area of forensic accounting and so it is very common that investigation of major financial crimes is handled by general investigating practitioner or officers that engage in investigating conventionally. Such cases die a natural death and the criminals roam freely on our streets, as the Investigating Police Officer soon get bored with cumbersome financial records, due to his lack of specialized knowledge and qualification’.

Okoye and Akenbor (2009) cited by Oyedokun (2018) opined that forensic auditing is faced with a number of challenges generally. The challenges include: The task of gathering information that is admissible in a court of law; the admissibility of evidence in compliance with the laws of evidence (which is crucial to successful prosecution of criminal and civil claims and globalization of the economy and the fact that a fraudster can be based anywhere in the world leading to the problem of inter-jurisdiction. A study reported by Degboro and Olofinsola (2007) and cited by Oyedokun (2018) indicated an important challenge to the application of forensic auditing in financial fraud control in Nigeria. First is that the law is not always up to date with the latest advancements in technology. Secondly, forensic auditing is seen as an expensive service that only big companies can afford. Consequently, most companies prefer to settle the issue outside the court to avoid the expensive cost and the risk of bad publicity on their corporate image. Finally, forensic auditing is a new trend particularly in developing economies.

In almost all countries of the world, forensic accounting seemed to have developed in response to the challenge of fraud and general financial dishonesty. As an instance, Transparency International 2020 survey covered 180 countries and their report in Corruption Perceptions Index indicated that Nigeria is rated 25 (rating 0 very high and 100 very low). The wide variety of financial crimes and the extent of crimes form a challenge with the lack of enough trained staff to fight this crime and the overall weakening of democratic institutions and political rights.

The accounting curriculum in Nigerian universities is tailored towards producing accountants who will be able to carry out conventional accounting services such as bookkeeping, audit, taxation, financial reporting etc. Kranacher et al., (2008) affirmed that the basic skills in accounting curriculum are basic accounting, auditing and commercial law concepts in addition to basic ethics, communication and computer skills. The minimum standard of the National University

Commission (NUC) in Nigeria provides for this. Not until recently, the field of forensic accounting was not part of the curriculum in Nigerian universities. Effiong (2012) reported a very low level of awareness of forensic accounting among undergraduate students, depicting lack of such programs in the Nigerian universities. Ahmed et al., (2018) opined that to fill the gap in forensic accounting education in Nigeria, there is need to develop a holistic education model for fraud and forensic accounting education programs. The NUC Minimum Standards is being reviewed to accommodate changes through the introduction of the Core Curriculum Minimum Academic Standards (CCMAS) in Nigerian universities in 2023. The objective was to enrich the academic curriculum in the Nigerian universities through introduction of new courses by all universities. The old syllabuses under the Basic Minimum Academic Standards (BMAS) would account for 70% of the new curriculum while 30% of the change envisioned in the syllabus would represent the addition to the syllabuses in each academic program. The 30% injected courses was considered as the core curriculum. Kranacher et al., (2008) has however opined that what is required is the in-depth exposure to criminology, fraud and forensic accounting, forensic and litigation services. The ongoing review by the NUC would hopefully take care of the areas of deficiency in the Forensic Accounting curriculum.

### **Review of Empirical Studies on Forensic Accounting in Nigeria**

In Nigeria, there is little evidence of forensic accounting education Effiong, (2012). A review of the academic efforts by scholars on forensic account in Nigeria would shed light to the pattern of growth trend as viewed by scholars. Effiong, (2012) contended that despite the growth in demand for fraud detection and forensic accounting globally, the development and adoption of forensic accounting into the accounting curriculum in the universities are taking place in the developed economies with little replication of the situation in the developing economies. As proof that forensic accounting is relatively new in Nigeria, studies in the field in Nigeria are reviewed as follows: Dada, Owolabi, & Okwu, 2013; Madumere & Onumah, 2016 concluded in a study that fraud reduction is significantly and positively related to fraud investigation and detection through forensic accounting. Similarly, Ehioghiren and Atu (2016) found that forensic accounting significantly influences fraud detection and control. Okoye and Gbegi (2013) examined the relevance of forensic accounting in fraud detection and prevention in the public sector with particular reference to Kogi State. The researchers used both primary and secondary sources of data as well as structured interview. Employing Analysis of Variance (ANOVA) for the purpose

of data analysis. Findings from the study revealed that the use of Forensic Accounting do significantly reduce the occurrence of fraud cases in the public sector, and that there is significant difference between professional forensic accountants and traditional external auditors and therefore the use of forensic accountants can help better in detecting and preventing fraud cases in the public sector organizations.

Similarly, Joseph, Okike and Yoko (2016) investigated the extent to which forensic accounting contribute to the detection of fraud in Nigeria. Taking a sample of 92 professional accountants in Nigerian public sector, using the descriptive statistics of chi-square, findings from the study suggest that forensic accounting have a significant role to play in fraud detection and prevention in Nigeria. Amake and Ikhatua in 2016 examined the significant difference between forensic accounting and the fraud detection in Edo State of Nigeria. By surveying the opinions of 100 auditors and accountants in four ministries of the state, and employing ANOVA to decompose the variations arising from the responses gathered, findings from the study revealed the relevance of forensic accounting in the detection of fraud in the public services. Studies by Adegbe & Fakile, 2012; Enofe, Utomwen, & Danjuma, 2015; Ezejiofor, Nwakoby, & Okoye (2016) all concluded that forensic accounting is an effective tool for combating economic financial crimes in banks and that it enhances corporate governance in the banking industry. Agbaje & Adeniran (2017) affirmed that forensic accounting practice reduces fraud in the banking industry.

There appears to be a significant agreement among researchers in Nigeria that forensic accounting has a place in fraud control and thus has gained some prominence over the years. Furthermore, it could be deduced from the avalanche of research work on forensic accounting in the Nigerian financial setting that the profession has been around for some time but only gained attention of scholars in the last one and half decades.

### **Conclusion and Recommendations**

While it may be difficult to pin point the exact date when the practice of forensic accounting and auditing began in Nigeria, certain conclusions are however discernible. Traditional auditing with its shortcomings have been in place in Nigeria just as is the case in developed economies. Furthermore, in the developed countries, the problem of fighting fraud and white collar crimes influenced the evolution of forensic auditing and accounting Kranacher et al., (2008). The research finding above holds true for Nigeria. Because fraud and similar financial crimes are on the increase



globally, Nigeria as part of the global village has its own share of financial crimes which necessitates the growing influence of forensic accounting and audit practice. The review of previous studies on the evolution of forensic accounting practice, reveals that forensic accounting and audit in Nigeria started about the turn of the last two decades. The WorldCom and Enron saga and the attendant negative public reactions actually caused an escalation in the need for forensic accounting globally and this episode took place in the year 2000.

In light of the review in this paper, the following recommendations may be necessary to advance the cause of forensic accounting practice in Nigeria. The review of accounting education syllabus must be a regular occurrence, this is with a view to update and modernize the subject of accounting and financial reporting to be in line with the international standard. Accounting forensic is heavily dependent on Information Technology (IT), the universities and polytechnics in particular must be equipped with adequate IT infrastructure to make the teaching of forensic accounting much easier. Accounting teachers must be given adequate exposure through attendance of conferences and seminars to get acquainted with the nitty-gritty of the ever dynamic subject of forensic education. The syllabus of commercial law in Nigeria should be updated to avail Nigerian accounting graduates from polytechnic and universities the benefit of the rudiments of legal education in order to perform well in the subject of forensic procedures and investigations. A new development in accounting education in Nigeria is the evolution of having Forensic Accounting as a field of study rather than being an appendage of the traditional accounting. This is the trend in other aspects of accounting such as taxation with separate professional accounting bodies to cater for the growth of such accounting specialties. Finally, professional accounting bodies in Nigeria should expand the scope of required internship training for would be practicing accountants in order to be abreast of new developments in the field of forensic accounting.

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